

FINANCIAL INSTITUTIONS

Budget Summary						FTE Position Summary				
Fund	2010-11 Adjusted Base	Governor		2011-13 Change Over Base Year Doubled		2010-11	Governor		2012-13 Over 2010-11	
		2011-12	2012-13	Amount	%		2011-12	2012-13	Number	%
PR	\$17,536,200	\$17,606,900	\$17,649,600	\$184,100	0.5%	135.54	136.54	136.54	1.00	0.7%

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

PR	\$2,773,200
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Governor: Adjust the agency's base budget for: (a) turnover reduction (-\$176,200 annually); (b) full funding of continuing position salaries and fringe benefits (\$1,466,600 annually); (c) reclassifications and semiautomatic pay progressions (\$15,400 in 2011-12 and \$37,000 in 2012-13); and (d) full funding of lease and directed moves costs (\$70,000 annually).

2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH CARE

PR	- \$1,232,800
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Governor: Delete \$616,400 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

3. ELIMINATE LONG-TERM VACANCIES

	Funding	Positions
PR	- \$144,200	- 1.00

Governor: Delete \$72,100 and 1.0 position annually to reflect the elimination of long-term vacant positions under the bill. The funding and position reduction is associated with a position that has been vacant for 12 months or more.

4. BUDGET REDUCTIONS

PR	-\$1,458,000
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Governor: Delete \$729,000, annually, as part of budget adjustment efficiency measures. The reductions by appropriation are shown below:

<u>Fund</u>	<u>Appropriation</u>	<u>Annual Reduction</u>
PR	Investor education and training fund	-\$9,400
PR	Gifts, grants, settlements, and publications	-6,500
PR	Payday loan database and financial literacy	-100,000
PR	General program operations	-570,300
PR	Credit union general program operations	<u>-42,800</u>
	Total	-\$729,000

The reduced funding represents a cut of approximately 10% of the agency's adjusted base amount for supplies and services to the following the Department of Financial Institutions (DFI) appropriations: (a) investor education and training fund; (b) gifts, grants, settlements, and publications; and (c) payday loan database and financial literacy. The reduction to DFI's general program operations appropriation reflects a cut of approximately 4% of the adjusted base amount and reduces funding for supplies and services by \$497,000, permanent property by \$27,000, and unallotted reserve by \$46,300, annually. The reduction to DFI's credit union general program operations appropriation reflects a cut of approximately 2.2% from the adjusted base amount and includes reduced funding of \$25,900 for supplies and services, \$6,900 for permanent property, and \$10,000 in unallotted reserve, annually.

5. REPLACEMENT OF CLASSIFIED POSITIONS WITH UNCLASSIFIED POSITIONS

Governor: Delete 2.0 PR classified positions and provide 2.0 PR unclassified positions under DFI's general program operations appropriation.

Under 2011 Act 10, 38 classified positions were transferred into the unclassified service to serve as division administrators. Act 10 also redefined "administrators" to include "other managerial positions determined by an appointing authority." The State Budget Office indicates that personnel from three separate employment areas (attorney services positions, communications positions, and legislative liaison positions) would be moved from classified to unclassified service within specified agencies. The revised unclassified positions would be renamed as either chief legal advisors, communications directors, or legislative advisors. Individuals in these unclassified positions would be at will employees appointed by the heads of the respective agencies.

The provisions in the 2011-13 biennial budget bill effectuate the intent of Act 10 in regards to the transfer of classified positions to unclassified positions as recommended by the Governor.

6. TRANSFER FROM THE SECRETARY OF STATE

Governor: Transfer \$57,000 PR and 1.0 PR position from the Office of the Secretary of State (Office) to DFI, annually, and transfer the assets and liabilities of the Office's notary and trademark functions to DFI for issuing notary public commissions and registering trademarks, trade-names, and brands. Increase the amount transferred from DFI's general program operations account to the Secretary of State's general operations appropriation from \$200,000 to \$325,000, annually.

Funding Positions		
PR-REV	\$648,200	
GPR-Earned	284,200	
PR	\$114,000	1.00

Notary and trademark functions that would be transferred to DFI under the bill would increase program revenue credited to the Department's general program operations appropriation by an estimated \$324,100, annually. According to the administration, the proposed transfer of an additional \$125,000 to the Office would replace part of the revenue that would have been credited to the Office's general operations appropriation as compared to current law. The bill would provide DFI with additional PR expenditure authority of \$57,000, annually, associated with staff costs for notary and trademark functions. At the end of each year, DFI lapses most unencumbered program revenue to the general fund; therefore, it is estimated that an additional \$142,100 would lapse to the general fund, annually.

[Bill Sections: 490, 754, 2310, 2605 thru 2637, and 9142(1)]

7. CREDIT UNION EXAMINER

Governor: Provide \$55,400 in 2011-12, \$76,500 in 2012-13, and 1.0 position beginning in 2011-12 to provide an additional financial examiner position to the Office of Credit Unions (OCU). This position is being created to meet statutory examination requirements and provide adequate oversight of the credit union industry. Under current law, funding for OCU is provided through fees paid by credit unions, of which OCU retains 88% of the fees and the remaining 12% is credited to the general fund. This position would be funded through an increase in assessments paid by credit unions of \$63,000 in 2011-12 and \$86,900 in 2012-13. General fund revenues would increase by \$7,600 in 2011-12 and \$10,400 in 2012-13.

Funding Positions		
PR-REV	\$131,900	
GPR-Earned	18,000	
PR	\$131,900	1.00

8. ELIMINATE EXEMPTION FOR CERTAIN INVESTMENT ADVISOR FIRMS

Governor: Eliminate the exemption from registering with DFI as an investment advisor for institutional investors that are private business development companies, qualified institutional buyers, and private business development companies with assets of more than \$10 million. Eliminate the exemption from registering with DFI as an investment advisor for accredited investors that are private business development companies, trusts with assets of more than \$5 million, and entities in which all of the equity owners are accredited investors. These provisions would first apply on the day after publication of the bill

PR-REV	\$68,000
GPR-Earned	68,000

or October 1, 2011, whichever is later.

The federal Wall Street Reform Act and Consumer Protection Act of 2010 (Dodd-Frank Bill) increased state regulatory authority over investment adviser firms. According to DFI, provisions of the Dodd-Frank Bill are expected to increase the number of investment adviser firms under the Department's regulatory authority by between 70 and 100, which is expected to double the value of investment adviser assets regulated by the Department. DFI estimates that new registration fees paid by these additional investment adviser firms will increase revenues in DFI's general program operations appropriation by approximately \$34,000, annually. At the end of each year, most unencumbered program revenue in this appropriation is lapsed to the general fund; therefore, general fund revenues would increase by a similar amount.

[Bill Sections: 3283, 3284, and 9417(1)]

9. CONSOLIDATE APPROPRIATIONS

Governor: Transfer funding and positions from the credit union general program operations appropriation to DFI's primary appropriation for general program operations, eliminate the separate appropriation for credit union general program operations, and renumber the appropriation for credit union examinations, federal funds.

[Bill Sections: 489 thru 492 and 2707]